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STATE OF MONTANA
OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION

and

BOARD OF REGENTS OF HIGHER EDUCATION

Report on the Examination of Financial Statements
Fiscal Year Ended June 30, 1979

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Fiscal Year Ended June 30, 1979



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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF REGENTS OF HIGHER EDUCATION

		<u>Term</u>	<u>Expires</u>
Thomas L. Judge, Governor*			
Georgia Rice, Superintendent of Public Instruction*			
Ted James, Chairman	Great Falls		1986
Mary Pace, Vice Chairman	Bozeman		1985
Shelley Hopkins, Student Regent	Missoula		1981
John Peterson	Butte		1982
Lewy Evans, Jr.	Billings		1983
Lola Hansen	Sidney		1984
Jeffrey Morrison	Helena		1987

*Ex officio members

ADMINISTRATIVE OFFICIALS

John A. Richardson	Commissioner
John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agencies' reply thereto and also as a ready reference to the supporting comments. The full replies of the Office of the Commissioner of Higher Education, Board of Regents of Higher Education and Governor's Office of Budget and Program Planning are included in the back of this report.

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COMMENTS

INTRODUCTION

We performed a financial compliance audit of the Office of the Commissioner of Higher Education (CHE) and Board of Regents of Higher Education for fiscal year 1978-79. The objectives of the audit were to: (1) determine if the office's and board's financial statements present fairly their financial position and results of operations for the fiscal year ended June 30, 1979; (2) determine if the office and board complied with applicable laws and regulations; and (3) make recommendations for the improvement in the management and internal controls of the office. Our audit also included a compliance review of two federal grants administered by the office.

We thank the Commissioner and his staff for their cooperation and assistance during the audit.

BOARD OF REGENTS

Article X of the Montana Constitution established the Board of Regents of Higher Education to govern and control the Montana University System. The system's units include the University of Montana, Montana State University, Montana College of Mineral Science and Technology, Eastern Montana College, Northern Montana College, and Western Montana College. The Board of Regents is also vested with the general supervision of community colleges.

The Board of Regents consists of seven members appointed by the Governor and confirmed by the Senate. A list of board members is presented in the front of this report. Appointed members of the board are entitled to compensation of \$25 per day and travel expenses.

COMMISSIONER OF HIGHER EDUCATION

The Commissioner of Higher Education is the chief administrative officer of the Montana University System. The state constitution provides that the Board of Regents appoint the Commissioner and prescribe the powers and duties of the office.

The Commissioner's responsibilities include:

1. Academic planning and curriculum review;
2. Budgetary planning and control;
3. Providing legal services to campuses;
4. Facilities planning;
5. Establishing labor negotiation policies and procedures; and,
6. Administering student aid programs.

The CHE serves as the certifying agency for Montana's involvement in the Western Interstate Commission for Higher Education's (WICHE) Professional Student Exchange Program. The office is also the designated agency to administer the Federal Commission on Post-secondary Education grant used to promote higher education in Montana.

APPROPRIATIONS

Budget Authority Exceeded

The CHE and Board of Regents are funded by separate Legislative appropriations, although the Commissioner's office maintains the accounting records for both agencies.

In a prior audit report issued by our office, we noted that at year-end the Board of Regents' budget was exhausted; therefore, board travel was paid from the Commissioner's budget. We recommended that the CHE seek budget amendments, when required, to allow proper allocation of program costs.

At fiscal year-end 1977-78, Board of Regents' expenditures totalling \$2,435 were charged to CHE appropriations because the Board of Regents had spent its entire appropriation.

When these Board of Regent claims were submitted at year-end, the CHE and Board of Regents could have requested the Governor to authorize expenditures during the first fiscal year of the biennium from the appropriation for the second fiscal year of the biennium as outlined in section 17-7-301, MCA. Another alternative would have been to submit the claims to the Department of Administration which would transmit them to the governor for presentation to the legislature in accordance with section 17-8-202, MCA. The CHE chose not to use either available alternative.

Section 17-8-103, MCA, states "it shall be unlawful . . . to expend, . . . in any one year, in excess of the Legislative appropriation or authorized budget amendment provided for such year. . . ." Violations of this section are punishable as a misdemeanor and place personal liability and forfeiture of office in the approving authority as described in Management Memo 2-78-5 and state law. The appropriation act and Montana Operations Manual also state that appropriations may not be over-encumbered or over-expended.

Constitutionally, the appropriation process and the establishment of expenditure levels are legislative perogatives. In Board of Regents vs. Judge, 543 P2d 1323, the Montana Supreme Court stated: ". . . .the conditioning of university system appropriations by the 1975 Montana legislature and the summary procedure for compliance were proper exercises of its appropriation powers to the extent the conditions do not infringe on the constitutional powers granted the Regents." Thus, the Board of Regents is required to stay within expenditure limits established by the legislature for its operations. The board should not use appropriation authority designated by the legislature for use by the CHE to expand funding for its operations.

The majority of expenditures of the board relate to travel. When preparing the budget, it is difficult

for the board or CHE to anticipate the number of board meetings that will be required each year. Because the CHE provides administrative and support services to the board, a combined appropriation would provide flexibility in the management of the board's activities.

The CHE and the Board of Regents should consider requesting one combined appropriation.

RECOMMENDATION #1

We recommend that the Commissioner of Higher Education and the Board of Regents:

- A. Monitor expenditures to prevent spending in excess of appropriation amounts.
- B. Comply with state law and policy and stay within appropriation limits.

Approving Authority

House Bill 145, passed by the 45th Legislature, states that the budget and operational plan amendments must be approved by the appropriate approving authority. For the purposes of that act, "approving authority means the governor, or his designated representative, for executive branch agencies; the chief justice of the supreme court for judicial branch agencies; appropriate legislative committees for legislative branch agencies, or the board of regents

for the university system." Because the act specifically states that the governor may delegate his authority, strict interpretation of this provision would not allow the Board of Regents to delegate this authority.

According to CHE officials, the Montana University System requires over 400 appropriations to account for all funds. The system averages over one budget or operational plan amendment for every working day in the year. Therefore, the approving authority for these amendments was delegated by the board in certain situations.

A memo in the Board of Regents' Budget Handbook regarding operating budgets of the university system for fiscal year 1978-79 authorized the Commissioner of Higher Education to approve transfers between expenditure categories not exceeding 2% of the total agency's budget in order to facilitate year-end closing. The Commissioner of Higher Education or his designee was also authorized to approve budget amendments relating to "other funds" appropriated by reference in the appropriation act.

The Board of Regents must approve all budget amendments for the University System or seek legislation to allow delegation of the responsibility.

RECOMMENDATION #2

We recommend that the Board of Regents act as approving authority for university system budget amendments or seek legislation authorizing delegation of its responsibility.

EXCESS VEHICLE REIMBURSEMENT

The CHE leased a vehicle from July 1978 to May 1979 which was driven primarily by the Commissioner. We reviewed travel claims of the Commissioner for the period from July 1978 through December 1978 at which time he terminated his employment with the CHE. During this time the office reimbursed the Commissioner for fuel expense of the leased car totalling \$1085, which represents 6,384 miles driven at 17¢ per mile.

Office personnel stated the reason for using 17¢ per mile for the gas reimbursement was that this was the state rate for personal car mileage during that period. The office leased the vehicle at \$176.87 per month which included depreciation and licensing expenses. Reimbursement at the state personal car rate of 17¢ per mile when a personal vehicle is used takes into account these expenses. By reimbursing the Commissioner at the personal car rate rather than only the actual cost of gas, the state is paying for these expenses twice.

We estimate actual gas expense for the 6,384 miles to be \$300 using an average of 17 miles per gallon and

a gas price of 80¢ per gallon, which was in effect when the leased car was driven. This represents an excess travel expense reimbursement to the Commissioner of \$785.

The mode of travel shown on the Commissioner's travel claims was PC, private car. This misrepresents the claims when office records indicate the leased vehicle was driven. A more representative code would have been "other transportation" with an explanation provided.

RECOMMENDATION #3

We recommend that the Commissioner of Higher Education reimburse only actual vehicle expenses.

LEASED VEHICLE

The leased vehicle as described in the preceding section was obtained by the Commissioner of Higher Education with Board of Regents' approval. The board's policy regarding compensation and employee benefits states that the Commissioner "shall be furnished a state or leased vehicle for the performance of his respective duties."

The vehicle was driven 16,498 miles during the lease term. As described on page seven, 6,384 miles were driven and gas reimbursement was made to the Commissioner for out-of-town trips. The other 10,114

miles were not accounted for by the CHE. According to CHE officials, the vehicle was used by the Commissioner for personal use and, on a limited basis, by other CHE employees as an official state vehicle. A mileage log was not maintained and we were unable to determine from agency records the portion of miles driven by the Commissioner or who paid for the gasoline used during these 10,114 miles. The office of the Commissioner of Higher Education did not pay for the gasoline.

A cost comparison study was made by the office between the per mile cost of obtaining a state motor pool car and leasing from a dealer. A motor pool car leased by the office from July 1, 1977 through June 30, 1978 cost the CHE 14¢ per mile to operate. The leased vehicle, taking into account down payment, monthly payments, tires, and gas reimbursement cost the CHE 21¢ per mile. Based upon this cost comparison, the CHE decided to cancel the three-year lease and return the car which resulted in payment of a \$1,700 termination penalty.

INTERNAL CONTROL

As part of our examination, we made a study and evaluation of the CHE's system of internal accounting control to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion

on the financial statements and to assist in planning and performing our examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

Our study and examination would not necessarily disclose all weaknesses in the system because it was based upon selective tests of accounting records and related data. We found no material internal control weaknesses.

FEDERAL GRANTS

Compliance

To avoid penalties, the CHE should comply with applicable federal laws and regulations set forth in grant awards.

The CHE's major source of revenue is federal grants used for university unit projects, reviews of academic programs in institutions of higher education, and for postsecondary education.

We reviewed the CHE's procedures in administering the "1203 Comprehensive Planning" and the "Title I of the Higher Education Act of 1965" grants to determine compliance with specific grant provisions.

We noted noncompliance in the following areas:

1. The CHE did not submit final financial status reports within ninety (90) days after the completion or termination of federal support.

Agency personnel indicated they did not receive all the necessary information from the various subgrantees to submit the reports on time. The federal Office of Education was made aware of the delay through a telephone conversation. For any future delays, the Office of Education should be notified in writing.

2. The CHE did not obtain prior approval from the federal Office of Education for budget revisions in excess of 5 percent for the "1203 Comprehensive Planning Grant". Federal regulations require prior approval if the cumulative amount of transfers among direct costs exceed 5 percent of the budget.
3. An audit of the "1203 Comprehensive Planning Grant" was not performed by the CHE or at its direction. Federal regulations require that these audits be scheduled with reasonable frequency, usually annually, but not less frequently than once every two years.

Our office performed audits of the CHE and Board of Regents for the fiscal years ended June 30, 1976 and June 30, 1979. Because the financial statements for fiscal years 1976-77 and 1977-78 were not audited, the federal audit requirement was not met.

RECOMMENDATION #4

We recommend that the Commissioner of Higher Education comply with federal laws and regulations in administering its grants.

Indirect Cost Reimbursement

State agencies' indirect costs incurred in the administration of federal grants are recognized and reimbursed by the federal government.

Section 17-3-111, MCA, requires agencies to negotiate agreements with the federal government to recover, to the fullest extent possible, indirect costs of administering federal grants. Management Memo 2-79-6 furnishes instructions for agencies to collect and account for these indirect cost reimbursements.

The CHE did not seek federal reimbursement for the cost of support services received from other state agencies. The Statewide Cost Allocation Plan identifies CHE indirect costs of \$3,505 for services rendered by other state agencies. We did not determine the exact portion of this amount applicable to the administration of the CHE's federal grants.

RECOMMENDATION #5

We recommend that the Commissioner of Higher Education maintain an indirect cost plan to recover indirect costs of federal programs.

REVENUE RECOGNITION

In order to follow generally accepted accounting principles and properly match revenues and expendi-

tures, the CHE and Board of Regents should accrue or defer revenues in accordance with Management Memo 2-79-3A, which states:

"Revenues should be recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period."

This management memo goes on to state:

"When federal grants are received in advance of anticipated expenditures, any portion considered not earned as of fiscal year-end should be recorded as deferred revenue."

Accruals

The Board of Regents is paid a portion of the interest income earned from coal fund investments per section 90-6-211, MCA. The Department of Community Affairs (DCA) distributes the interest income earned during the fiscal year to the Board of Regents on a no-warrant transfer after fiscal year-end. The CHE deposits the moneys into the Board of Regents' earmarked revenue fund as a prior year income adjustment.

According to DCA officials, the amount of interest earned during the year could be reasonably estimated at year-end. DCA should provide this information to all agencies which receive a portion of the interest. This interest income, which is subject to accrual under generally accepted accounting principles and state accounting policy, was not accrued by CHE at fiscal year-end 1977-78 or 1978-79. This unrecorded revenue accrual understates accounts receivable and income

recorded during fiscal year 1978-79 by \$194,284, the amount of interest income earned during this period.

At fiscal year-end 1978-79, the CHE had expended \$89,937 for two federal grants and had recorded revenue of \$86,965. The difference of \$2,972 was not accrued at fiscal year-end. The unrecorded revenue accrual understates federal cost reimbursement receivables and fiscal year 1978-79 revenues by \$2,972 in the Federal and Private Revenue Fund.

RECOMMENDATION #6

We recommend that the Commissioner of Higher Education accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles and state accounting policy.

Grant Deferred Revenue

When federal grant funds are received in advance of expenditures, the portion not earned as of fiscal year-end should be recorded as deferred revenue according to state accounting policy and generally accepted accounting principles.

The CHE recorded revenue of \$392,440 from five federal grants during fiscal year 1978-79. Associated expenditures for these grants were only \$321,917. The \$70,523 difference represents an overstatement of revenue for fiscal year 1978-79 in the Federal and Private Revenue Fund. Since the inception of the five

grants, \$638,059 has been received by the CHE, although only \$453,685 was earned or expensed. The difference of \$184,374 should be recorded as deferred revenue. Because of this, liabilities at June 30, 1979 are understated and fund balance is overstated by \$184,374 in the Federal and Private Revenue Fund.

The same problem existed at fiscal year-end 1977-78. Because of this, June 30, 1978 liabilities were understated and fund balance was overstated by \$113,851 in the Federal and Private Revenue Fund.

RECOMMENDATION #7

We recommend that the Commissioner of Higher Education recognize revenue in accordance with generally accepted accounting principles and state accounting policy.

BOARD OF REGENTS' TRAVEL

Proper preparation and timely submission of travel expense vouchers support travel expenses and facilitate year-end cutoff.

Our audit of the Board of Regents' travel included a review of travel expenditures during fiscal year 1978-79. Of the twelve travel expense vouchers reviewed, we noted five instances where no arrival or departure times were shown on the vouchers to justify the per diem allowed. In five cases the vouchers were not submitted on a timely basis. For example, one regent member traveled in September and December,

prepared the voucher in February, and was reimbursed in March. Another voucher, dated September 13, 1978 included travel for June, July, August, and September of 1978.

The Administrative Rules of Montana currently state that "an employee who does not file for reimbursement of travel costs within three months after incurring the expense waives his right to reimbursement."

The CHE should encourage timely submission of travel expense vouchers to ensure that all outstanding travel expenses are submitted and paid by fiscal year-end. The voucher should provide sufficient documentation of travel times to justify per diem reimbursement.

RECOMMENDATION #8

We recommend that the Commissioner of Higher Education authorize payment only on adequately documented Board of Regent travel claims and require timely submission of these claims for reimbursement in accordance with the administrative rules.

PAYROLL

Compensatory Time

To comply with the Montana Operations Manual (MOM) and the minimum wage law, the CHE should not allow

non-exempt employees to accumulate a compensatory time balance.

MOM 3-0210 defines a non-exempt employee as:

"an employee in a position not classified as executive, administrative or professional. . ."

"All employees classified as non-exempt as defined above will receive overtime compensation at one and one-half (1½) times their regular hourly wage. Non-exempt employees may not elect to accept compensatory time in lieu of overtime payments. . ., but may be allowed to take time off within the same work week to maintain a 40 hour work week."

We noted one non-exempt employee, in our sample of ten, who earned compensatory time for overtime worked. The employee did not use the compensatory time within the same work week it was earned. In a review of employee leave records, we noted several other non-exempt employees with compensatory time balances.

In order to comply with state law and the MOM, non-exempt employees should be paid for time worked in excess of 40 hours per week.

Employee Time Records

To ensure after-the-fact payment of payroll, the CHE should prepare biweekly time summaries. CHE employees document time earned and leave taken on a monthly time summary form. This procedure does not allow the payroll clerk to include actual hours worked when preparing the biweekly payroll. The payment of wages without the support of properly approved employee hours does not document after-the-fact payroll.

Vacation and Sick Leave Credits

To provide accurate employee leave balances the CHE should calculate vacation and sick leave credits in accordance with the MOM 3-0305 and 3-0310.

Vacation and sick leave credits are calculated monthly at the CHE. For example, eligible employees accumulate credits of 1.25 days for vacation and 1 day for sick leave each month. MOM specifies that these credits, for the different classifications of employees, be calculated biweekly.

RECOMMENDATION #9

We recommend that the Commissioner of Higher Education:

- A. Grant compensatory time only to qualified employees as defined in state law and the Montana Operations Manual.
- B. Prepare biweekly summaries of time worked and leave taken to document after-the-fact payroll.
- C. Calculate annual vacation and sick leave credits each pay period in accordance with the MOM.

CASH RESTATEMENT

Cash transactions processed during the fiscal year-end adjustment period should be reviewed and appropriately restored for full financial statement disclosure.

During the fiscal year-end 1978-79 adjustment period, July 2 to July 19, state agencies continued to pay fiscal year 1978-79 claims. This reduced their

June 30 cash balance. To reflect the actual June 30 cash balance for financial statement purposes, the Department of Administration restated certain cash amounts paid during the adjustment period. Accounts payable were established for a corresponding amount. The amount restated included only transfer warrant claims and the payroll no-warrant transfer issued during the fiscal year-end adjustment period. Other transactions affecting cash were not restated.

We reviewed CHE transactions involving cash that were not restated. We found that June 30 Balance Sheet accounts are misstated by the following amounts:

Cash in Treasury	\$10,955
Accounts Receivable	\$19,114
Accounts Payable	\$94,920

In their response to our fiscal year 1978-79 audit report on the Department of Justice, the Department of Administration acknowledged the existence of this problem. Department of Administration personnel are in the process of including cash restatements for all applicable transactions affecting cash with present cash restatement procedures.

PRIOR AUDIT RECOMMENDATIONS

The last audit of the CHE - Board of Regents was performed by the Office of the Legislative Auditor for the two fiscal years ending June 30, 1976. The report contained three recommendations still applicable to the office's operations. The office concurred with all of

the recommendations. They have implemented all applicable portions of these three recommendations.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

STATE OF MONTANA

Office of the Legislative Auditor



STATE CAPITOL
HELENA, MONTANA 59601
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MORRIS L. BRUSETT, C.P.A.
LEGISLATIVE AUDITOR

ELLEN FEAVER, C.P.A.
DEPUTY LEGISLATIVE AUDITOR
JOHN W. NORTHEY
STAFF LEGAL COUNSEL

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the Balance Sheets of the Office of the Commissioner of Higher Education and the Board of Regents of Higher Education as of June 30, 1979 and the related Statements of Revenue Compared with Revenue Estimates, Expenditures Compared with Appropriations, Changes in Fund Balances, and the Commissioner of Higher Education's Statement of General Fixed Assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Commissioner of Higher Education recognizes federal grant reimbursements as revenue using the cash basis of accounting. The State of Montana utilizes the modified accrual basis of accounting. This requires that grant revenues received but not earned at year-end be deferred and revenues earned by year-end but not received be accrued. As discussed beginning on page 12 of this report, by using the cash basis, the Commissioner of Higher Education was not in accordance with generally accepted accounting principles. The result is an understatement in the Federal and Private Revenue Fund of liabilities by \$184,374 assets by \$2,972 and an overstatement of fund balance by \$181,402 at June 30, 1979 and an overstatement of revenue of \$67,551 for fiscal year 1978-79. Because the CHE did not defer revenue at fiscal year-end 1977-78, liabilities were understated and fund balance was overstated by \$113,851 in the Federal and Private Revenue Fund at June 30, 1978.

The Board of Regents did not record \$194,284 of income in the Earmarked Revenue Fund at fiscal year-end. Interest income earned but not received by fiscal year-end should be accrued in accordance with generally accepted accounting principles.

The Commissioner of Higher Education made payments during the fiscal year-end adjustment period from the General Fund and Federal and Private Revenue Fund. These payments were not restated or reclassified as payables or receivables at year-end. Because of this problem which is the result of accounting procedures established by the Department of Administration, accounts payable of \$82,291 and accounts receivable of \$17,440 are understated on

the Balance Sheet in the General Fund. The Federal and Private Revenue Fund Balance Sheet accounts are also understated in accounts payable by \$12,629, accounts receivable by \$1,674 and cash in treasury by \$10,955.

In our opinion, because of the effects of the matters discussed in paragraphs two, three, and four, the statements listed below do not present fairly, in conformity with generally accepted accounting principles, the financial position of such funds of the Commissioner of Higher Education and Board of Regents as of June 30, 1979 or the results of operations or changes in fund balance for the fiscal year then ended:

<u>Statement Name</u>	<u>Funds Not Fairly Presented</u>
Commissioner of Higher Education:	
Balance Sheets	General Fund
Statement of Changes in Fund Balance	Federal and Private Revenue Fund
Board of Regents:	
Balance Sheet	Earmarked Revenue Fund
Statement of Revenue Compared with Revenue Estimates	Earmarked Revenue Fund
Statement of Changes in Fund Balance	Earmarked Revenue Fund

In our opinion, except for the effect of failing to accrue or defer revenue as discussed in paragraph two, the Statement of Revenue Compared with Revenue Estimates for the Federal and Private Revenue Fund presents fairly the results of operations of such funds of the Commissioner of Higher Education for fiscal year ended June 30, 1979, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In our opinion, the statements listed below present fairly the financial position of such funds of the Commissioner of Higher Education and Board of Regents as of June 30, 1979 and the results of operations and changes in fund balances for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

<u>Statement Name</u>	<u>Funds Fairly Presented</u>
Commissioner of Higher Education:	
Balance Sheet	Federal and Private Grant Clearance Fund
Statement of Revenue Compared with Revenue Estimates	Federal and Private Grant Clearance Fund
Statements of Expenditures Compared with Appropriations	General Fund
	Federal and Private Revenue Fund
	Federal and Private Grant Clearance Fund
Statements of Changes in Fund Balances	General Fund
	Federal and Private Grant Clearance Fund
	Peter Potter Loan Trust Fund
Statement of General Fixed Assets	General Fixed Assets
Board of Regents:	
Balance Sheet	General Fund
Statement of Expenditures Compared with Appropriations	General Fund
Statement of Changes in Fund Balance	General Fund

The accompanying schedules of Expenditures by Object, and the items titled "Combined Total (Memorandum Only)" on the Balance Sheets, the Statements of Revenue Compared with Revenue Estimates, Statements of Expenditures Compared with Appropriations, and Statements of Changes in Fund Balances for the Commissioner of Higher Education and Board of Regents are not necessary for the fair presentation of the financial statements but are presented as supplemental information. This information has been subjected to

the tests and other auditing procedures applied in our examination of the financial statements and in our opinion, except for those matters noted in paragraphs two, three, and four, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



Morris L. Brusett, CPA
Legislative Auditor

April 28, 1980

COMMISSIONER OF HIGHER EDUCATION
BALANCE SHEETS - ALL FUNDS
JUNE 30, 1979

	Federal and Private Revenue Fund	Federal and Private Grant Clearance Fund	Combined Total (Memorandum Only)
ASSETS			
Cash	\$ 427	\$301,630	\$9,832
Assets Available to Pay Accrued Expenditures and Payables	<u>190,777</u>	<u>\$301,630</u>	<u>190,777</u>
Total Assets	<u><u>\$191,204</u></u>	<u><u>\$9,832</u></u>	<u><u>\$502,666</u></u>
 LIABILITIES, RESERVES AND FUND BALANCE			
Accounts Payable	\$ 50,040	\$ 12,938	\$ 62,978
Accrued Expenditures	140,737	48,743	189,480
Receipts Collected in Advance		126,626	126,626
Reserve for Cash on Hand	427		427
Fund Balance	-----	<u>113,323</u>	<u>123,155</u>
Total Liabilities, Re- serves and Fund Balance	<u><u>\$191,204</u></u>	<u><u>\$301,630</u></u>	<u><u>\$502,666</u></u>

See accompanying Notes to the Financial Statements.

COMMISSIONER OF HIGHER EDUCATION
ALL FUNDS
STATEMENTS OF REVENUE COMPARED WITH REVENUE ESTIMATES
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Federal and Private Revenue Fund</u>	<u>Federal and Private Grant Clearance Fund</u>		
	<u>Estimated</u>	<u>Actual</u>	<u>Estimated</u>	<u>Actual</u>
Private Grants	\$ 39,972	\$ 33,325		
Community Matching Grants			\$ -0-	\$19,665
Higher Education Academic Facilities - State Administration	5,700	5,028		
University Community Service Grants to States	134,000	120,360		
Grants to States for Student Incentives	349,022	175,249		
Postsecondary Education Statewide Comprehensive Planning Grants Program	126,202	54,238		
Education Information Centers	45,454	32,727		
State Student Financial Assistance	2,106	2,106		
Developmental Disabilities - Special Projects	<u>140,183</u>	<u>61,400</u>		
Total	<u><u>\$842,639</u></u>	<u><u>\$484,433</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$19,665</u></u>

See accompanying Notes to the Financial Statements.

Combined Total (Memorandum Only)

Estimated Actual

\$ 39,972 \$ 33,325

19,665

5,700 5,028

134,000 120,360

349,022 175,249

126,202 54,238

45,454 32,727

2,106 2,106

140,183 61,400

\$842,639 \$504,098

COMMISSIONER OF HIGHER EDUCATION
ALL FUNDS
STATEMENTS OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Administration</u>	<u>Student Assistance</u>	<u>Community Services</u>
GENERAL FUND			
Appropriations	\$534,407	\$2,972,434	
Amendments	<u>2,635</u>		
Total Available	<u>537,042</u>	<u>2,972,434</u>	
Expended - Prior Years			
Expended - Current Year	<u>532,053</u>	<u>2,935,903</u>	
Unexpended Balance	<u>\$ 4,989</u>	<u>\$ 36,531</u>	
FEDERAL AND PRIVATE REVENUE FUND			
Appropriations	\$ 40,000	\$ 180,000	
Amendments	<u>20,000</u>	<u>2,106</u>	<u>\$353,390</u>
Total Available	<u>60,000</u>	<u>182,106</u>	<u>353,390</u>
Expended - Prior Years			
Expended - Current Year	<u>59,800</u>	<u>176,306</u>	<u>149,925</u>
Unexpended Balance	<u>\$ 200</u>	<u>\$ 5,800</u>	<u>\$ 97,663</u>
FEDERAL AND PRIVATE GRANT CLEARANCE FUND			
Expended ¹		<u>\$ 9,833</u>	
COMBINED TOTAL (MEMORANDUM ONLY)			
Appropriations	\$574,407	\$3,152,434	
Amendments	<u>22,635</u>	<u>2,106</u>	<u>\$353,390</u>
Federal and Private Grant			
Clearance Fund		<u>9,833</u>	
Total Available	<u>597,042</u>	<u>3,164,373</u>	<u>353,390</u>
Expended - Prior Years			
Expended - Current Year	<u>591,853</u>	<u>3,122,042</u>	<u>149,925</u>
Unexpended Balance	<u>\$ 5,189</u>	<u>\$ 42,331</u>	<u>\$ 97,663</u>

¹Expenditures from the Federal and Private Grant Clearance Fund do not require appropriations.

See accompanying Notes to the Financial Statements.

<u>Community College Assistance</u>	<u>Accounting System Improvements</u>	<u>Educational Information Center</u>	<u>MUS Affiliated Satellite</u>	<u>Ford Foundation Grant</u>	<u>Total All Programs</u>
\$1,992,279	\$400,000				\$5,899,120
1,992,279	400,000				2,635
	126,937				5,901,755
<u>1,992,279</u>	<u>272,508</u>				126,937
<u>\$ -0-</u>	<u>\$ 555</u>				<u>5,732,743</u>
					\$ 42,075

\$45,454	\$140,183	\$39,972	\$ 220,000
45,454	140,183	39,972	601,105
			821,105
			105,802
35,255	53,449	10,389	485,124
\$10,199	\$ 86,734	\$29,583	\$ 230,179

\$ 9,833

\$1,992,279	\$400,000	\$45,454	\$140,183	\$39,972	\$6,119,120
					603,740
<u>1,992,279</u>	<u>400,000</u>	<u>45,454</u>	<u>140,183</u>	<u>39,972</u>	<u>9,833</u>
126,937					6,732,693
<u>1,992,279</u>	<u>272,508</u>	<u>35,255</u>	<u>53,449</u>	<u>10,389</u>	<u>232,739</u>
<u>\$ -0-</u>	<u>\$ 555</u>	<u>\$10,199</u>	<u>\$ 86,734</u>	<u>\$29,583</u>	<u>6,227,700</u>
					\$ 272,254

COMMISSIONER OF HIGHER EDUCATION
ALL FUNDS
STATEMENTS OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Federal and Private Grant Clearance Fund</u>	<u>Peter Potter Loan Trust Fund</u>	<u>Combined Total (Memorandum Only)</u>
FUND BALANCE - JULY 1, 1978	\$ -0-	\$114,589	\$ -0-	\$ 55,017	\$ 169,606
ADDITIONS:					
Appropriations and Budget Amendments from General Fund	5,901,755				5,901,755
Revenue and Income		484,433	19,665		504,098
Assets not Previously Recorded on SBAS				93,028	93,028
Total Balance Plus Additions	5,901,755	599,022	19,665	148,045	6,668,487
DEDUCTIONS:					
Expenditures and Withdrawals	5,732,743	485,124	9,833		6,227,700
Prior Year Expenditure Adjustment		575			575
Appropriation Reversion to General Fund	169,012				169,012
Transfer to Other Agency				148,045	148,045
Total Deductions	5,901,755	485,699	9,833	148,045	6,545,332
FUND BALANCE - JUNE 30, 1979	\$ -0-	\$113,323	\$ 9,832	\$ -0-	\$ 123,155

See accompanying Notes to the Financial Statements.

COMMISSIONER OF HIGHER EDUCATION
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1979

GENERAL FIXED ASSETS

Furniture and Fixtures	\$33,683
Equipment	<u>49,180</u>
Total General Fixed Assets	<u>\$82,863</u>

INVESTMENTS IN GENERAL FIXED ASSETS \$82,863

See accompanying Notes to the Financial Statements.

BOARD OF REGENTS OF HIGHER EDUCATION
BALANCE SHEETS - ALL FUNDS
JUNE 30, 1979

	<u>General Fund</u>	<u>Earmarked Revenue Fund</u>	<u>Combined Total (Memorandum Only)</u>
<u>ASSETS</u>			
Cash in Treasury		\$280,337	<u>\$280,337</u>
Assets Available to Pay Accounts Payable and Accrued Expenditures	<u>\$2,223</u>	—	<u>2,223</u>
Total Assets	<u>\$2,223</u>	<u>\$280,337</u>	<u>\$282,560</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$1,342		\$ 1,342
Accrued Expenditures	881		881
Fund Balance	—	<u>\$280,337</u>	<u>280,337</u>
Total Liabilities and Fund Balance	<u>\$2,223</u>	<u>\$280,337</u>	<u>\$282,560</u>

See accompanying Notes to the Financial Statements.

BOARD OF REGENTS OF HIGHER EDUCATION
EARMARKED REVENUE FUND
STATEMENT OF REVENUE COMPARED WITH REVENUE ESTIMATES
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Estimated</u>	<u>Actual</u>
Regents Coal Trust		
Interest Income	\$149,089	\$-0-
Total	<u>\$149,089</u>	<u>\$-0-</u>

BOARD OF REGENTS OF HIGHER EDUCATION
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FISCAL YEAR ENDED JUNE 30, 1979

General Fund	
Appropriations	\$14,145
Expended	13,487
Unexpended Balance	<u>\$ 658</u>

See accompanying Notes to the Financial Statements.

BOARD OF REGENTS OF HIGHER EDUCATION
ALL FUNDS
STATEMENTS OF CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 1979

	<u>General</u> <u>Fund</u>	<u>Earmarked</u> <u>Revenue</u> <u>Fund</u>
FUND BALANCE - JULY 1, 1978		\$131,248
<u>ADDITIONS:</u>		
Appropriations from the General Fund	\$14,145	
Prior Year Income Adjustment		149,089
Total Balance Plus Additions	<u>14,145</u>	<u>280,337</u>
<u>DEDUCTIONS:</u>		
Expenditures and Withdrawals	13,487	
Appropriation Reversion to General Fund	658	
Total Deductions	<u>14,145</u>	<u>-0-</u>
FUND BALANCE - JUNE 30, 1979	<u>\$ -0-</u>	<u>\$280,337</u>

See accompanying Notes to the Financial Statements.

OFFICE OF COMMISSIONER OF HIGHER EDUCATION
AND
BOARD OF REGENTS OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

The state of Montana uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recorded on the basis of valid obligations. Revenues are recorded when received in cash unless susceptible to accrual.

Revenues are susceptible to accrual if they are measurable and available to finance expenditures of the fiscal period or are not received at the normal time of receipt. Revenues are deferred if material and are received before the "normal" time of receipt or if received for a particular activity and the expense for the activity has not been incurred prior to fiscal year-end.

Inventories

There is no recorded asset for supplies inventory. Supplies are expensed at the time of purchase.

General Fixed Assets and Depreciation

General fixed asset purchases are recorded as expenditures in the various funds at the time of purchase. (Gifts are recorded in general fixed asset records at fair market value at the time received and assets purchased are recorded at cost.) General fixed assets are not depreciated.

Vacation and Sick Leave

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related expenditures are recorded when paid. Permanent employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation. Amounts in excess of two times the annual accumulation can be carried 90 days into a new calendar year. Upon termination, qualified employees having unused accumulated vacation and sick leave receive 100 percent payment for vacation and 25 percent payment for sick leave. The liability amount associated with unused accumulated vacation and sick leave at June 30, 1979 is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

2. EMPLOYEES' RETIREMENT SYSTEM

The office's employees are covered by the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). Under these plans, the state

contributes 6.2% and 6.312% of an employee's gross wages to PERS and TRS, respectively. The employee contributes 6% and 6.187% of his gross wages for the two systems, respectively. Total pension contributions made by the Commissioner's office during fiscal year 1978-79 were \$31,006.

The state's policy is to fund accrued pension costs. Based on the most recent actuarial valuation reports, at June 30, 1978, the Public Employees' Retirement System was actuarially sound. The Teachers' Retirement System was actuarially sound at June 30, 1979.

The unfunded past service costs and the actuarially computed value of vested benefits were not readily available for members of the plans employed by the agency.

3. PETER POTTER LOAN TRUST FUND

In February 1979, the Commissioner's office transferred the Peter Potter Loan Trust Fund balance to the Montana College of Mineral Science and Technology. Prior to this date, the Trust Fund was administered and reported by the Commissioner of Higher Education.

4. LEASES

The agency made payments of approximately \$71,000 for leased facilities and equipment in fiscal year 1978-79. Lease rentals are recorded as expenditures

over the lease term as they become payable. Commitments under the lease agreement for facilities, classified as an operating lease, provide for the following minimum lease payments:

1980	\$ 60,390
1981	60,390
1982	60,390
1983	60,390
1984	60,390
	<u>\$301,950</u>

5. CASH RESTATEMENT

To reflect the actual June 30 cash balance on the financial statements, the Department of Administration restated (increased) Cash in Treasury and Accounts Payable to reflect cash paid during the 1978-79 fiscal year-end adjustment period. This procedure was not used during fiscal year 1977-78.

6. GENERAL FUND BALANCE

The state's General Fund beginning and ending fund balance on a nonconsolidated basis is zero since any balance in the fund is owed to the consolidated entity at fiscal year-end.

7. UNIVERSITY SYSTEM EXPENDITURES

The Statements of Expenditures Compared with Appropriations does not include current year expenditures of \$39,883,224 and \$9,813,481 in the

General Fund and Earmarked Revenue Fund, respectively. These are expenditures of the University System units that pass through the Office of the Commissioner of Higher Education. The appropriation amounts are also recorded by the Commissioner's office. These appropriations and expenditures are reported in the university units' financial statements since the transactions relate to the units' operations.

COMMISSIONER OF HIGHER EDUCATION
SCHEDULE OF EXPENDITURES BY OBJECT
FISCAL YEAR ENDED JUNE 30, 1979

	<u>Administration</u>	<u>Student Assistance</u>	<u>Community Services</u>
PERSONAL SERVICES			
Salaries	\$382,924		\$ 13,042
Employee Benefits	50,559		1,193
Total Personal Services	<u>433,483</u>		<u>14,235</u>
OPERATING EXPENSES			
Contracted Services	28,608	\$ 605	817
Supplies and Materials	4,412	50	327
Communications	18,931	61	1,562
Travel	28,223	570	2,459
Rent	61,687		4,500
Utilities	6,441		100
Repair and Maintenance	1,193		
Other Expenses	5,013	730	
Total Operating Expenses	<u>154,508</u>	<u>2,016</u>	<u>9,765</u>
EQUIPMENT	<u>3,862</u>		
Total Equipment	<u>3,862</u>		
LOCAL ASSISTANCE			
From State Sources		39,000	
From Other Income Sources		19,665	
Total Local Assistance		<u>58,665</u>	
GRANTS			
From State Sources		2,887,071	
From Federal Sources		174,290	125,925
Total Grants		<u>3,061,361</u>	<u>125,925</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$591,853</u>	<u>\$3,122,042</u>	<u>\$149,925</u>

<u>Community College</u>	<u>Accounting System Improvements</u>	<u>Educational Information Center</u>	<u>MUS Affiliated Satellite</u>	<u>Ford Foundation Grant</u>	<u>Total</u>
	\$ 24,722	\$21,162	\$36,753	\$ 9,496	\$ 488,099
	2,009	3,240	5,401	256	62,658
	<u>26,731</u>	<u>24,402</u>	<u>42,154</u>	<u>9,752</u>	<u>550,757</u>
	45,092	4,897	189		80,208
	700	505	306	100	6,400
	39	707	1,478		22,778
	1,292	2,555	8,760	207	44,066
	50	2,049	495	330	69,111
					6,541
	2,974				4,167
	220	140	67		6,170
	<u>50,367</u>	<u>10,853</u>	<u>11,295</u>	<u>637</u>	<u>239,441</u>
	195,410				199,272
	<u>195,410</u>				<u>199,272</u>
\$1,992,279					2,031,279
<u>1,992,279</u>					<u>19,665</u>
					<u>2,050,944</u>
					2,887,071
					300,215
					<u>3,187,286</u>
\$1,992,279	\$272,508	\$35,255	\$53,449	\$10,389	\$6,227,700
<u>1,992,279</u>	<u>\$272,508</u>	<u>\$35,255</u>	<u>\$53,449</u>	<u>\$10,389</u>	<u>\$6,227,700</u>

BOARD OF REGENTS OF HIGHER EDUCATION
SCHEDULE OF EXPENDITURES BY OBJECT
FISCAL YEAR ENDED JUNE 30, 1979

PERSONAL SERVICES	
Other Compensation	<u>\$ 3,275</u>
Total Personal Services	<u>3,275</u>
OPERATING EXPENSES	
Contracted Services	165
Travel	8,772
Rent	75
Other Expenses	<u>1,200</u>
Total Operating Expenses	<u>10,212</u>
TOTAL EXPENDITURES	<u>\$13,487</u>

RESPONSES



THE MONTANA UNIVERSITY SYSTEM

33 SOUTH LAST CHANCE GULCH

HELENA, MONTANA 59601

(406) 449-3024

COMMISSIONER OF HIGHER EDUCATION

August 29, 1980

Mr. Morris Brusett
Legislative Auditor
State Capitol
Helena, MT 59601

Dear Mr. Brusett:

This letter is in response to the audit of the Office of Commissioner of Higher Education and the Board of Regents for the fiscal year ending on June 30, 1979. We concur with the recommendations made by your auditors and appreciate the informal suggestions you provided during the course of the examinations. Since the audit report was received after the close of the 1980 fiscal year, some of the recommendations relating to accruals, deferred revenue and cash restatement could not be implemented in time to correct the 1980 financial statements in SBAS. Thus, a subsequent audit may reveal the same deficiencies which pertained to 1979.

The comments listed below endeavor to answer each recommendation contained in your audit report.

Audit Recommendation #1

We recommend that the Commissioner of Higher Education and the Board of Regents:

- A. Monitor expenditures to prevent spending in excess of appropriation amounts.
- B. Comply with state law and policy and stay within appropriation limits.

Commissioner's Response

- A. Concur (see explanation)
- B. Concur

Comment

The primary reason that the Regents budget expenditures increased dramatically during the 1978 fiscal year was the added cost associated with the new Regent member from the Eastern part of Montana. Over one-third of the Regents \$14,145 appropriation went to provide full participation for the Regent from Sidney, Montana. The additional expense was due to the cost of providing air service for this Regent to Board meetings. Since the Regents have the full management and control of the system, we felt that they had the authority to expend funds from the Commissioner's Office budget if it was deemed necessary in carrying out their management responsibilities. That is the reason that a supplemental appropriation was not

requested as the auditor suggested. The problem was discussed during the last legislative session and adequate funds were appropriated so that all Regent members would be provided equal opportunity for participation in system governance.

We would concur with the auditor's suggestion of combining the appropriation of the Regents with our office.

Audit Recommendation #2

We recommend that the Board of Regents act as approving authority for university system budget amendments or seek legislation authorizing delegation of its responsibility.

Commissioner's Response

1) Partially concur

We have no problem with seeking a clarification of the issue next session. However, we do not agree with the legal interpretation of the auditor.

We feel that the stated Regent policy is in compliance with state law for the following reasons.

1) The auditor's legal interpretation of the appropriation bill would create an impractical result. Consider:

A) The centralized SBAS accounting system for the Montana University System requires over 800 accounting entities and over 400 appropriations to account for "all funds". House Bill 145 addresses only a small portion of the accounts required to manage all of the funds under Regent jurisdiction. As required by the appropriation act, the Board establishes expenditure limits for the vending machines, food services, motor pools, dormitories, bowling alleys, etc. When the actual expenditures exceed the estimated Regent budget, SBAS rejects all transactions (including payroll) until a budget amendment is processed. We probably average over one budget amendment for every working day in the year. The Regents would have to meet every week in order to accommodate the auditor's interpretation of the law. Since the legislature only appropriated \$14,145, it would be impractical for the Regents to meet that often to approve all budget amendments.

B) The Regents have also provided authority to the Commissioner to approve small adjustments required at year-end. In the absence of delegating this authority, the Regents would have to reside in Helena from June 25th to July 15th in order to make all the required adjustments that are necessary at year end. That also would not be prudent or practical.

C) As stated in the auditor's introduction, the State Constitution provides that the Regents "appoint the Commissioner and prescribe the powers and duties of the office". Such duties include budgetary planning and control. It would not be unreasonable to conclude that the Regents have the legal discretion to assign a reasonable amount of budget amendment authority to the Commissioner as provided by state law in the constitution.

D) The budget amendment process currently in effect is a long-standing past practice.

Audit Recommendation #3

We recommend that the Commissioner of Higher Education reimburse only actual vehicle expenses.

Commissioner's Response

1) Concur

Audit Recommendation #4

We recommend that the Commissioner of Higher Education comply with federal laws and regulations in administering its grants.

Commissioner's Response

1) Concur

Comment

Auditor's statement:

1) The CHE did not submit final financial status report within ninety (90) days after the completion or termination of federal support.

Agency personnel indicated they did not receive all the necessary information from the various subgrantees to submit the reports on time.

Response:

The Office of Education was made aware of the delay in the submission of the financial reports. Delays are relatively common with regard to this particular program. We will be late again this year, however, we will notify OE in writing so that the auditor will know that the federal office is aware of the problem and we will not appear to be violating federal regulations.

Audit Recommendation #5

We recommend that the Commissioner of Higher Education maintain an indirect cost plan to recover indirect costs of federal programs.

Commissioner's Response

- 1) Partially concur

Comments:

We have no disagreement with the intent of the auditor's recommendation. The federal grants administered by our office, however, do not provide for indirect cost reimbursement. Our Title I Community Service grant, for instance, provides a direct administrative allowance to our office for administering the grant. Our 1203 planning funds are provided to all higher education coordinating or governing agencies in the United States to assist in the administration of postsecondary education. The only grant that may have a possibility of generating indirect costs would be the Montana University Affiliated Program which has been moved to the University of Montana. The U of M has an indirect cost recovery plan. We will confer with the Office of Education and confirm its position on indirect cost reimbursements for administering grants received by this office.

Audit Recommendation #6

We recommend that the Commissioner of Higher Education accrue all revenues susceptible to accrual in accordance with generally accepted accounting principles and state accounting policy.

Commissioner's Response

- 1) Concur

Audit Recommendation #7

We recommend that the Commissioner of Higher Education recognize revenue in accordance with generally accepted accounting principles and state accounting policy.

Commissioner's Response

- 1) Concur

Audit Recommendation #8

We recommend that the Commissioner of Higher Education authorize payment only on adequately documented Board of Regent travel claims and require timely submission of these claims for reimbursement in accordance with the administrative rules.

Commissioner's Response

1) Concur. We will continue to request timely submission of travel claims for reimbursement.

Audit Recommendation #9

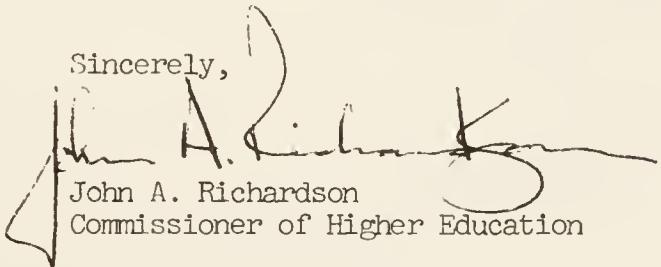
We recommend that the Commissioner of Higher Education:

- A. Grant compensatory time only to qualified employees as defined in state law and the Montana Operations Manual.
- B. Prepare biweekly summaries of time worked and leave taken to document after-the-fact payroll.
- C. Calculate annual vacation and sick leave credits each pay period in accordance with the MOM.

Commissioner's Response

- 1) Concur
- 2) Concur
- 3) Concur

I will plan to attend the Legislative Audit Committee hearing in late September to answer any further questions you or the committee may have concerning this audit.

Sincerely,

John A. Richardson
Commissioner of Higher Education

JAR/b

OFFICE OF THE GOVERNOR

BUDGET AND PROGRAM PLANNING

THOMAS L. JUDGE, GOVERNOR

STATE CAPITOL, HELENA, MT 59601

GEORGE L. BOUSLIMAN, DIRECTOR

STATE OF
MONTANA

August 21, 1980

RECORDED
AUG 25 1980

Morris Brusett
Legislative Auditor
State Capitol
Helena, Montana 59601

MONTANA LEGISLATIVE AUDITOR

Dear Morris:

This is in response to your request for comments on the draft audit of the Board of Regents.

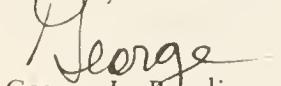
Recommendation No. 1

I concur with your recommendation and think that combining budget requests and appropriations for the Commissioner of Higher Education and the Board of Regents would be appropriate. This office would support this approach for purposes of the next biennial budget.

Recommendation No. 2

I also concur with your recommendation concerning legislation authorizing the Board of Regents to delegate its budget amendment authority. This would clarify the issue and my office would support such legislation.

Sincerely,


George L. Bousliman

